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ABSTRACT

The predominant pattern for administering governmental programs is through multiorganizational networks. Relying on a theory of resource mobilization and an analysis of allocation processes within the public sector, this paper argues that individual units within multiorganizational networks are increasingly beyond the traditional control mechanisms of the market or ballot box. The author then examines some of the advantages and problems of adapting the "responsibility center" concept for use in governmental administration. This analysis takes into account the special political and production process characteristics of organizations operating within the multiorganizational networks of the public sector. Research from several disciplines has found that local administrative units are neither homogeneous, passive, or singular, as assumed by most current administrative arrangements. This paper provides a normative administrative theory that is explicitly designed to operate within a framework of substantial local diversity and uncertainty. (Author/JG)

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ADAPTING THE "RESPONSIBILITY CENTER" CONCEPT TO GOVERNMENT ADMINISTRATION

Ein Versuch, das Konzept der "Verantwortungszentren" auf die Organisation der Öffentlichen Verwaltung zu übertragen

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ABSTRACT

The predominant pattern for administering governmental programs is through multi-organizational networks. Relying on a theory of resource mobilization and an analysis of allocation processes within the public sector, the paper argues that individual units within the multi-organizational networks are increasingly beyond the traditional control methanisms of the market or ballot box. The paper then examines some of the advantages and problems of adapting the "Responsibility Center" concept for use in governmental administration. This analysis takes into account the special political and production process characteristics of organizations operating within the multi-organizational networks of the public sector.

Current administrative arrangements in most domestic programs are usually built on assumptions of relatively homogeneous and passive local administrative units. Research from several disciplines is finding that local institutions are neither homogeneous, passive nor singular. This paper provides a normative administrative theory which is explicitly designed to operate within a framework of substantial local diversity and uncertainty. For instance, this theory may be useful in the design or reform of administrative arrangements in social service programs such as rent supplements or job placement. In both cases, there is great diversity in individual preferences and needs, and substantial variation from locality to locality in either housing stocks or work opportunities.

ZUSAMMENFASSUNG

Politische Programme werden überwiegend durch das Zusammenwirken verschiedener Verwaltungseinheiten implementiert. Der Autor der vorliegenden Arbeit hat eine Theorie der Ressourcenmobilisierung entwickelt und die Verteilungsprozesse im Öffentlichen Sektor untersucht. Er kommt aufgrund seiner Erfahrungen zu dem Schluß, daß einzelne Einheiten im Beziehungsgeflecht öffentlicher Verwaltung kaum noch durch Marktmechanismen oder durch die Öffentlichkeit kontrolliert werden. Das in der Ökonomie verwendete Konzept des "Responsibility Center" (Verantwortungszentren) wird auf seine Anwendbarkeit auf die Organisation miteinander verflochtener Verwaltungseinrichtungen geprüft. Bei der Untersuchung dieser Frage werden die besonderen Bedingungen berücksichtigt, unter denen Verwaltungseinheiten innerhalb interorganisatorischer Rahmenbedingungen arbeiten.

Die meisten Organisationssysteme für die Durchführung politischer Programme setzen relativ homogene und passive lokale Verwaltungseinheiten voraus. Forschungsergebnisse verschiedener wissenschaftlicher Disziplinen haben allerdings gezeigt, daß die lokalen Institutionen normalerweise weder homogen sind, noch sich passiv verwalten. In der hier vorgelegten normativen Verwaltungstheorie wird versucht, diese Ergebnisse und insbesondere die gegebene Vielfalt und die normalerweise vorherrschende Unsicherheit auf der lokalen Ebene zu berücksichtigen. Diese Theorie liefert für die Entwicklung oder Reform der Durchführung staatlicher Programme wie Arbeitsbeschaffungsmaßnahmen oder Wohngeldvergabe wichtige Hinweise. In beiden Beispielen gibt es eine Vielfalt individueller Bedürfnisse und Präferenzen und auf der anderen Seite ein von Ort zu Ort unterschiedliches Angebot an Arbeitsmöglichkeiten und Wohnungsbeständen.

ADAPTING THE "RESPONSIBILITY CENTER" CONCEPT TO GOVERNMENT ADMINISTRATION

In most Western democracies there appear to be dual needs for a simultaneous increase in governmental activity and for improvement in the performance of governmental administration. The need for increased activities is rooted in social developments which have been discussed under the rubric of the Post-Industrial Society.[1] Interdependencies inherent in complex technologies, highly developed specializations of labor, and uncertainties characteristic of an ever more dynamic environment are leading to an expanding number of relationships among individuals and organizations. But satisfaction with the coordination of these interdependencies is declining. Organizations created to coordinate this increasing interdependence have not been very effective.

The aims of this article are (1) to review briefly some of the reasons for the ineffectiveness of traditional democratic institutions in coordinating the actions of organizational units which are located within intergovernmental administrative structures; and (2) to suggest the careful consideration of the "Responsibility Center" or multi-divisional form of organization as one alternative for institutional adjustment which might increase the ability of citizen-clients to influence the activities of intergovernmental administrative systems.

UNRESPONSIVE ADMINISTRATION

The beginning months of the Great Society were a high point in the belief that an active government could alleviate many social problems in the United States. Midway through the Johnson Administration the early confidence of the social activists began to fade. The complexity and diversity of the problems overwhelmed the analytic and management capabilities of the essentially intergovernmental institutions through which Great Society programs were administered. Studies and hearings into possible reforms were begun in 1966 and 1967. Critics from both the Left and Right ends of the political spectrum called for more decentralization, flexibility and responsiveness at all levels of government. Efforts to rationalize and improve coordination among

various levels of government continued into the early years of the Nixon Administration under the banner of the "New Federalism".

Reasons for many of the difficulties encountered in implementing Great Society programs are rooted in a general lack of political responsibility intrinsic in programs which utilize intergovernmental institutions. The complex and confusing networks of organizations characteristic of these programs muddle responsibility. For example, Medicare and Medicaid rely extensively on private, as well as intergovernmental, institutions to provide health care. Aid for Dependent Children is financed by Federal funds, administered through States governments, and implemented by local governments. When failures occur it is extremely difficult for voters or their elected representatives to know which of the many institutions are responsible. A great deal of discretion devolves to the professional staffs. Conceptions of broader collective interests, as defined by elected officials, are subordinated or lost.

Agencies within an intergovernmental network will frequently be able to mobilize resources in a manner which will meet internally-generated goals and priorities. Agencies are frequently able to resist (if they choose) pressures to satisfy the preferences of citizen-clients.[2] In the earlier work, we found that the standard controls of the Federal government, such as matching fund or maintenance of effort clauses, have a much smaller impact than is often presumed on how a local unit uses Federal aid. Other, more powerful and more immediate factors in the receiving unit's political and economic environment frequently overshadow the effect of legislative and executive controls. Many other studies, relying on models of administration which assume a hierarchical ordering of relationships, had tried to explain patterns of distributing Federal aid by analysing allocations from the "top down".[3] In an intergovernmental network, since there is no hierarchy to begin with, we found a research strategy which looked from the "bottom up" more appropriate. We developed a theory of "resource mobilization", the basic premise of which assumed that (1) organizations try to maintain themselves by meeting what they perceive to be their

own needs and priorities, and (2) actors in organizations actively mobilize funds rather than passively receiving funds allocated to them. We found that units at all levels of an intergovernmental network operated to one degree or another in line with these assumptions, and that they were often able to pursue internally-determined goals in the face of considerable opposition from grantor institutions. He who paid the piper, did not always call the tune.

A second and more general characteristic of government administration must also share blame for high levels of dissatisfaction. In the public sector, goods and services tend to be provided in lumps, on a take it or leave it basis. Citizen-clients are usually not able to make individualized demands for goods and services. Your child goes to a neighborhood school, or you forfeit your tax money and send her to a private one. In private transactions, because of the necessity to accomodate millions of individual transactions, there is an extensive capability to interact with individual consumers. The lack of immediate reciprocity between public sector producers and citizen-clients has led to a lack of capacity for individual contacts with government agencies. This leads not only to poorly delivered services or goods in an absolute sense, but also diminishes feedback which would give public agencies cues from the lowest levels on what goods and services to produce.

A competitive market is held to be desirable because it allocates societal resources in a democratic and decentralized manner, through "consumer sovereignty".[5] Consumers, by bidding for the goods and services they desire, determine what quantities and qualities of any item will be produced. If there is not a market for an item, production ceases; if there is heavy demand, production increases.[6] But before the market values of decentralization and democratic choice can be fulfilled, individuals and families must be aware of what is being produced, they must have at least a rough idea of a good's quality, and they must be able to choose among alternative products or producers. In a market exchange, the information needed to satisfy these conditions is readily available. The consumer's attention and interest are automatically focused on what is being

purchased. Money is given directly for the specific service or good in a series of discrete transactions, as a person's income is spent. A judgement can be made about the quality and quantity of each good he or she desires. In the public sector, however, most tax funds are taken in a lump sum and distributed to public producers through appropriation processes in which the average citizen plays a very small role. Once the money enters the general fund, the consumer of public services has no automatic or direct way (in contrast to a market system) to keep track of how funds are spent. Expenditures are made without the direct participation of citizen-consumers. Any cues that the citizen-consumer may want to give the producer must be channeled through a political system, such as voting or lobbying. This system is not an effective mechanism for transmitting specific information on a particular service from consumer to producer, or from producer to consumer. Tullock[7] has called the problem of not being able to choose a single public good the "blue plate special". He, along with others in the New Political Economy,[8] have suggested that this problem might be handled by creating smaller jurisdictions where citizens can choose from among smaller and more discreet packages of public goods; or special elections may be held to decide on each public good. Neither of his suggestions have been carefully tried, but it appears from past experience that voting and lobbying are better suited for revealing public preferences on broad policies, rather than monitoring the delivery of a specific good or service.

We can now summarize the thrust of our opening remarks. We have asserted that institutions within intergovernmental networks often pursue relatively independent courses of action. The conventional political institutions of voting and representative bodies are not very effective for disciplining the behavior of these units. They are in large part outside the mechanisms of popular control or influence. Except in cases of rather severe malfesance or corruption, they are constrained primarily through internally generated and maintained ethical and professional codes. These internal checks on behavior have been surprisingly efficacious in the past. I suggest, however, that these checks will be increasingly unsatisfactory and unreliable

as the number of professions expands and the focus of their attention becomes more specialized and narrow. In this setting, the broader collective interests of government are often subordinated to local, regional or professional vested interests.

Further, governmental units frequently lack the capability to make fine-grained adjustments to individual citizen-clients. We need to create intergovernmental institutions which will be responsive to the demands of citizens individually. Too often, citizens cannot get the services which they need because of the clumsiness and remoteness of governmental institutions.

The Responsibility Center organizational form may provide a model for the design of intergovernmental administrative institutions which has both the capability to focus on a limited but crucial number of collective interests, while at the same time delegating to local "operating divisions" sufficient flexibility and discretion to adapt to local conditions and to the preferences of individual citizen-clients. The following sections of the article describe the Responsibility Center form of organizational structure, and analyze the possibilities and limits of adapting this organizational form more broadly and more systematically to intergovernmental administration.

BEYOND POSDCORB

There is not a large body of writing in public administration which addresses the problem of how to organize an intergovernmental administrative system. Some of the writing treats these systems as if they were hierarchically integrated systems, ignoring as an inconvenient expedient the de jure sovereignty of State governments and the de facto sovereignty of local governments. Few studies have systematically tried to show how Federal, State and local governments can be brought together into an effective administrative network, governed by a variety of political constituencies and leaderships.[9]

For example, early Nixon policy focused on "streamlining and simplifying" the manner in which Federal categorical grants were dispersed, in the belief that States and localities could handle their

own affairs if freed from Federal meddling and restrictions. The remedial thrust of the Revenue Sharing Act of 1972, a central element of overall Administration strategy, focused on the problem of fiscal mismatch. If States and localities had money to match their responsibilities, they would function effectively. There was little disposition within Congress or the Administration to use revenue sharing as an instrument to improve the overall administrative capacity of local and State units.

The lack of focus on an intergovernmental system may in part be explained by a reluctance to accept both elements of the dual role of each component in an intergovernmental system. With the emergence of a Post-Industrial Society, local and State governments have had to reach beyond their traditional role of articulating citizen demands and then designing programs and policies to meet these demands. In this role, these units could concentrate on building a capability for responsiveness and efficiency. However, State and local units are now called upon to function as agents in an essentially national administrative system. In this role as "administrative agent" they also need the capability to coordinate their actions with other governments, and work out arrangements for dividing the labor. Increasingly this division of labor has called for a capacity of the larger units to plan, set standards, stabilize the economy and redistribute income. Local units should have the flexibility and responsiveness to fit Federal and State programs to local needs, and make fine-grained adjustments to individual preferences.

Local units in particular have been a weak link. As the importance of the service sector in government increases the role for local government grows. Services, by their very character, require a "local presence" as client and provider interact. The growth of the service sector which has characterized the Post-Industrial Society[10] has increased the need for "local" institutions with the capability to provide a local presence.

Much of the work which offered prescriptions for the structure of public organizations was done in the 1930's. Luther Gulick, in work that is still widely followed by government practitioners even though it has been roundly criticized by academics,[11] developed a

rather sophisticated plan for organizing activities within the national government. Gulick was a principal in efforts to expand the capabilities of the national government in the United States during the 1930's. The problems associated with pulling the U.S. economy out of a persistent and severe depression, and then the growing realization that the U.S. would need to expand substantially its military establishment, put demands on the existing administrative machinery which it was unable to handle. To help the government deal with these new responsibilities, Gulick proposed a conceptual scheme whose basic elements were similiar to the multi-division form of organization being used in General Motors or Dupont.[12]

Gulick argued that the model of a "holding company" be used in government.[13] The administration of large government bureaus should be comprised of a central executive and a number of relatively autonomous divisions. The central executive was not to be involved in the every-day work of the divisions, but rather with the formulation of general policies and the evaluation of the performance of the divisions. To carry out these functions of policy setting and evaluation, the central executive would need to be much strengthened, and given staff to perform the functions included in the famous acronym POSDCORB.[14] These functions were, it should be emphasized, policy-setting, evaluation and oversight functions. The divisions were to exercise considerable discretion as they made operational the general policies of the central executive.

The divisions within Gulick's holding companies were to be comprised of groupings organized around the criteria of (1) purpose or function, (2) clientele, (3) process or (4) place. After the primary divisions were made along one of these lines, second and third order groupings, using second and third choices of these ordering criteria were to complete the organizational scheme. Figure 1 is adapted from some of Gulick's charts and illustrates the basic organizational structure he advocated.

The basic ideas behind Gulick's formulation are sound. They have not been developed by scholars in public administration, perhaps, because of the devastating and effective attack made on the "school

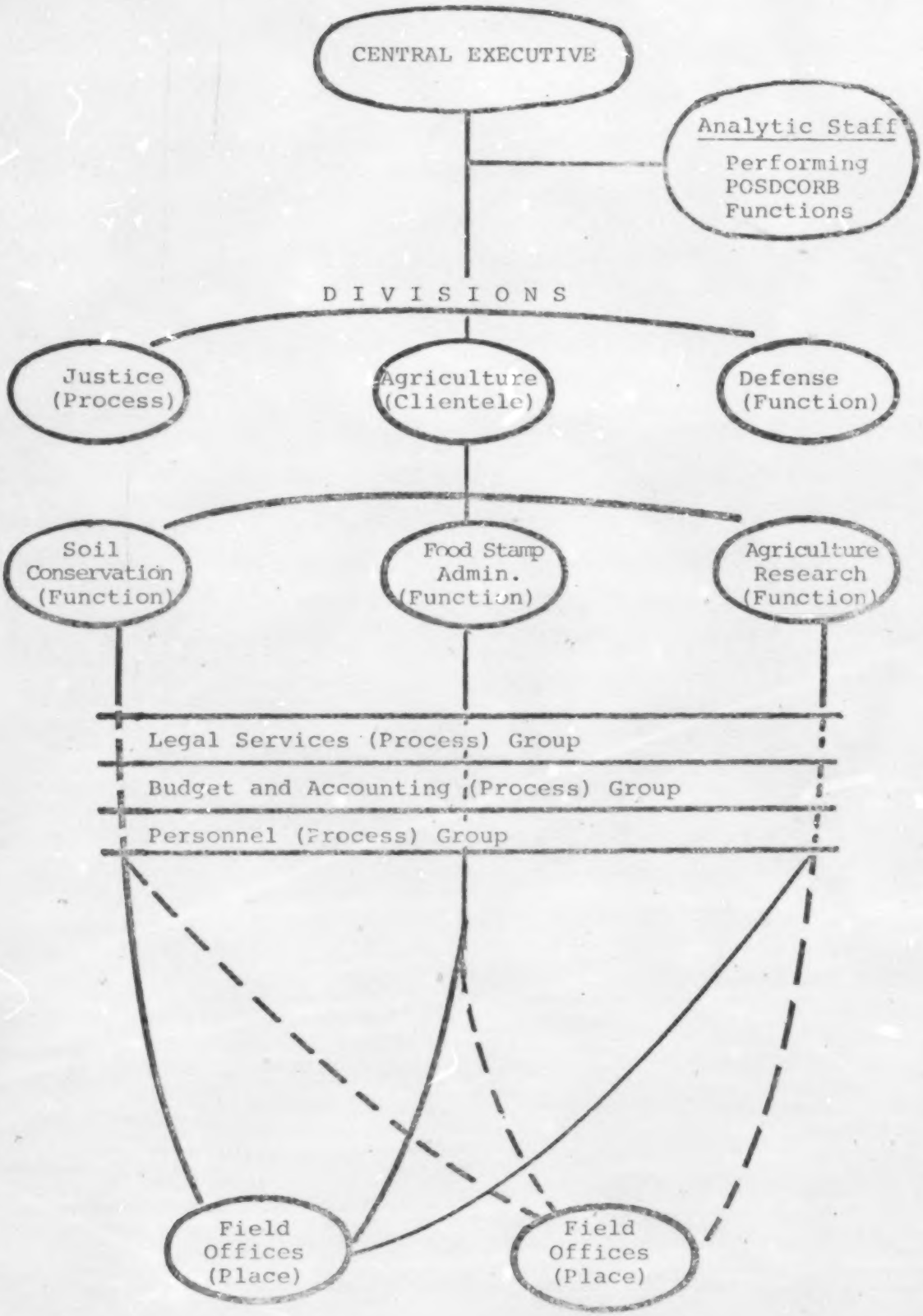
CENTRAL EXECUTIVE
Analytic Staff
Performing
POSDCORB
Functions
DIVISIONS
Justice
(Process)
Agriculture
(Clientele)
Defense
(Function)
Soil
Conservation
(Function)
Food Stamp
Admin.
(Function)
Agriculture
Research
(Function)
Legal Services (Process) Group
Budget and Accounting (Process) Group
Personnel (Process) Group
Field
Offices
(Place)
Field
Offices
(Place)

Figure 1

of administrative science" by such men as Paul Appleby[15] and Herbert Simon.[16] These attacks led most other scholars to loose sight of one of the primary objectives of Gulick's research. He was trying to conceptualize an administrative structure which would be capable of handling the tremendous loads then being placed on government. The fruits of some of his efforts, the holding company notion, were thrown out along with his less useful statements about administrative principles or the separation of politics and administration.

Many scholars in business administration stayed with the idea of the holding company, under the label of "Responsibility Centers" ; "Profit Centers" or the multi-division form of organization. Business firms have also been faced with the problems of increasing size and scale, more heterogeneous environments, more complicated technologies, and an increasingly mobile and educated work force. To cope with this situation, many of the larger firms developed the idea of the Responsibility Center. Using this notion as an organizing concept, firms identify relatively autonomous branches within their overall organization. A manager is appointed for each Responsibility Center. Within the framework of the larger organization, these managers are given considerable flexibility and discretion to handle the internal affairs of their Responsibility Centers.[17] This type of organization, together with the central offices which monitor the activities of the Responsibility Centers, has been labeled the multi-division form or M-form by Oliver Williamson.[18] In the balance of the paper, we will use Williamson's term M-Form to refer to an organizational form using Responsibility Centers.

Several aspects of the M-Form need to be developed, however, before successful applications can be made to intergovernmental administrative systems. Our discussion will first describe the general outlines and requirements of the M-Form as it is presently used in large business firms. The next three sections analyse some of the problems of adapting the M-Form to the public sector.

ORGANIZING AROUND RESPONSIBILITY CENTERS

The central idea behind the M-Form is that the organization be composed of a central office and a number of divisions. The divisions

are usually organized along product, brand or geography lines and operate with relative autonomy. Decisions concerning personnel, most investments in capital equipment, acquisition of materials, production schedules, product innovations, marketing decisions, and most other matters relating to the specifics of a particular division are left to its management. The central office evaluates the activities of each division through a system of statistics, primarily profitability and growth. These statistics are collected and evaluated by a special analytic staff which is attached directly to the corporate headquarters. If divisional managers do not perform well according to these measures, it is assumed that the headquarters has the power to replace them.

The M-Form differs from a functional or unitary form (U-Form) primarily in the design of the divisions. Divisions in a U-Form organization are formed along functional lines, e.g. personnel, purchasing, manufacturing, and sales. The central office coordinates the activities of these divisions as well as evaluating the quality of their performance. As a U-Form agancy grows, beyond some level the capability of its central office to coordinate the activities of the functional divisions is overwhlemed. Information being passed up to the central office is distorted through the process of transmission, and the abilities of the central office to process the information received is limited by its bounded rationality. The M-Form gets around these problems by reorganizing the divisions so the areas of highest interaction are located in a single division, with authority to make the day to day operating decisions delegated to the divisions. This greatly reduces the amount of information needed by the central office, and removes them from the press of daily decision making.

In summary, there are three key elements in an M-Form organization. First, the activities of the organization must be divisible into relatively independent bundles of activity. Second, there is a central guidance group, which is supported by an analytic staff and which has the power to discipline the actions of division management. Third, there is a system of summary statistics which is used to evaluate the performance of the divisions along some common measures.

Obviously many public sector programs will not be able to satisfy these rather demanding prerequisites, but there is a surface appeal to consider the possibilities of adapting the M-Form for wider

use in intergovernmental administration. Many of the problems the M-Form was created to overcome in large private organizations also exist in intergovernmental systems. First of all, most intergovernmental programs are too complex to be handled directly out of Washington. The experience of the Social Security Administration with the Supplemental Security Income program is a recent example of Washington's inability to administer complex social service programs directly. There are regional and local adjustments which a large U-Form organization seems unable to handle. Second, many "relatively autonomous divisions" already exist in the form of States and local governments. Rather than regarding these levels of government as necessary expedients, as is the case when the logic of the U-Form is followed, the M-Form treats these units as legitimate components of a system of administration. Third, together with the growing demands for more responsiveness to citizen needs and preferences, there is also a need to be accountable to the Federal and State objectives which prompted the enactment of most intergovernmental programs in the first place. In large scale private sector organizations, the M-Form organization has handled these three problems relatively successfully. Perhaps it is worth exploring the possibilities of institutional reforms along the lines of the M-Form to see whether they could handle some of the problems encountered in intergovernmental administration.

ADAPTING THE M-FORM TO IG SYSTEMS

There are several special problems to be considered in the adaptation of the M-Form or Responsibility Center concept for use in intergovernmental administration. For purposes of discussion, these problems are grouped into three categories: (1) problems in establishing the divisions; (2) difficulties in creating systems of evaluation; and (3) problems associated with a multi-level political structure.

The creation of divisions in an intergovernmental system will encounter greater problems than in private sector organizations. As discussed above, the theory of the M-Form is to create divisions which encompass the areas of most intense interaction. Interdependencies between divisions should be kept at a minimum, with any that remain

after the formation of divisions to be taken into account by the bookkeeping and evaluation systems.

In private organizations, it is usually assumed that the central office has the power to change the boundaries of individual Responsibility Centers. Such power, however, does not exist to the same degree in intergovernmental systems. The boundaries of the State and local jurisdictions are encrusted in legal and political traditions. Reformers have often complained that the boundaries of the State and local governments are inappropriate for one reason or another. In recent years, for instance, much attention has focused on the rigidity of State and local administrative practices in the face of service areas and problems which spill over several jurisdictions. It may be, however, that the practices and boundaries of these jurisdictions are not as inflexible as is sometimes thought. Perhaps State and local governments may be induced, through the use of unconditional grants (revenue sharing), to alter their jurisdictions and powers so that these units can more effectively serve as elements in an intergovernmental administrative system. For example, many States successfully used grants to school districts as a lever to induce substantial changes in the performance and boundaries of these highly "local" governmental units. The Federal government has greatly influenced administrative practices in States through categorical grant programs which require a single-state-agency, professional standards for personnel, and/or merit system principles.[19] Neither the States nor the Federal government, however, have used categorical or unconditional grants with the idea of creating an overall system of intergovernmental administration, even though unconditional grants or revenue sharing appear to be well suited for that purpose.[20]

A second general problem in creating divisions which follow the example of M-Form organizations is related to the provision of services, rather than goods, by public agencies. The M-Form has worked most effectively in dealing with horizontally-integrated organizations, but has not been particularly successful in dealing with vertically-integrated firms because the resulting divisions are

too interdependent with each other.[21] Service producing organizations have similiar problems, even though they are typically horizontally-integrated. The problem is not interdependence among units within the agencies, as is the case in vertically-integrated organizations, but a very substantial dependence on factors which are located outside of the organization and therefore beyond control of local managers. If a division does not adequately control some of the key elements needed to produce satisfactory results, it cannot be held accountable for failures within the division. For instance, local employment agencies should not be adversely judged for failing to find positions for job seekers in the middle of a general recession. The same may be true in education and health. The "Coleman Report" on equality in education, and research it has stimulated, identified three main categories of inputs into the process of education: (1) inputs brought to school by the student from his family background and his own innate intelligence; (2) inputs from peers of the student; and (3) inputs in the form of teachers and facilities provided by a school district.[22] Although all three categories of inputs can be influenced by educators, most interactions within families and among peers are beyond their control. Health care provides a further example. As in education, many factors affecting an individual's health are beyond the purview of the physician. Also, efforts to modify the institutions or performance of health care must reckon with the relatively autonomous power of the physicians. Therefore, in social services such as job placement, education or health, the "operating divisions" cannot be held fully accountable for their performance. Interdependencies between the division and its environment are too great.

A third general problem lies in selecting criteria around which the divisions can be organized. Since Gulick there have been few serious attempts by scholars in public administration to design whole administrative systems. Perhaps this is why Gulick's prescriptions to organize according to place, function, clientele or process are still being used in government. Williamson, also, does not go beyond saying that "quasi-autonomous operating divisions" can be set up along the lines of brands, products or place.[23] These ordering criteria are not sufficient for deliniating M-Form divisions within the often complicated settings of intergovernmental administrative

systems. For one thing, they ignore the inherent tensions between function and place as organizing principles. As is increasingly recognized, different types of personnel and policies emerge from functionally organized systems than from geographically organized systems.[24] In the next few paragraphs, we suggest what may be a more suitable framework.

The divisions within an M-Form system of intergovernmental administration should be structured with essentially two purposes in mind: identifying relatively autonomous centers of activity, and facilitating the articulation of collective and individual interests. The first of these purposes will be discussed here, the second later under the section "Combining Politics and Administration."

The design of divisions so as to concentrate centers of activity may be based on a framework developed by James D. Thompson, in which he groups activities so as to minimize the costs of coordinating the central activities of subunits.[25] The logic of Thompson's approach is rather straight forward. Following Simon's concept of bounded rationality, Thompson assumes that people cannot understand or perceive everything that is going on around them. The more complex or variable an aspect of a function, the more need for either "satisficing" (i.e. making do without fully understanding or analyzing a problem) or dividing the activity into bundles, with each bundle being small enough to be understood. Consequently, the more demanding or interactive the technology, and/or the more heterogenous and unstable the operating environment of the organization, the more the organization will need to subdivide its tasks to cope with the increasing complexity.

Thompson analyzed tasks according to the complexity of interdependence among the variables within their production process. The least demanding type of coordination was what he called "pooled" interdependence. The activities of the various sub-units in an organization draw strength from each other, but are able to go about their activities quite independently. Their actions are coordinated, to the extent they need be, through standardized procedures and rules. The branches of a banking firm are good examples of pooled interdependence. Each branch adds to the assets and

strength of the bank, but the activities in each branch can go on quite independently of each other. Standard forms for deposits and withdrawals coordinate most of their activities.

A more complicated type of interdependence is present if aspects of a task must come in a particular order. Thompson called this "sequential" interdependence. Coordination is handled through plans. Relationships among the various units within the organization must be coordinated so that work can flow smoothly through the production process. Administrative structures become somewhat more complicated. A more active central direction is needed than when the technology of the task requires pooled interdependence.

Many important tasks are characterized by "reciprocal" interdependence. There is a constant interchange among key variables within the technology. Coordination is accomplished through mutual admustment and feedback. Many government activities use technologies of this type. Teaching and social work involve a continual interchange between the student or client and the teacher or social worker. Current actions of the teacher depend in part on the response of the student to a previous action by the teacher. Such mutual adjustments require an organizational structure with a capacity for two-way communication. Central direction of a large organization using intensive technologies is difficult because of the volume of the interaction. Bounded rationality comes into play, and the directors must divide up their responsibilities or lose effective control.

The characteristics of the operating environment of an organization will have a similar effect. The more complicated the environment, the greater the impact of bounded rationality on its structure. If an environment is relatively stable and homogeneous, the boundary-spanning units of the organization can be simple and centrally directed. If the environment is shifting and heterogeneous, boundary-spanning units will need to be more numerous if they are to divide environmental complexities into bundles that can be understood.

This conceptual scheme lends itself for use in the creation of divisions within an M-Form organization. The basic idea of the M-Form is to create a series of divisions, each of which encompass

clusters of the most interaction and the least amount of interdependence. Thompson argues that the three types of interdependence form the basis for structuring a "hierarchy" of coordinative needs. A division would be started through first order groupings which satisfy the most intense interaction requirements, i.e. technologies relying on reciprocal interdependence and the activities of boundary-spanning units which face heterogeneous and dynamic aspects of the operating environment. These smaller units are then gathered into second and third order groupings which are to handle the sequential and pooled interdependence. A separate division would be formed when a sufficiently small amount of reciprocal and sequential interdependence was found between two larger groupings to allow the remaining interdependence to be handled through simple plans, rules, and/or evaluations based on common criteria. Most coordination between divisions in M-Form organizations is of the pooled variety.

Working through a specific example, a housing allowance program, may help show how an intergovernmental system may be designed using this conceptual scheme. In a simple housing allowance program, qualifying persons are given rent supplements to assist them in securing clean and safe housing through private rental markets. Among the tasks to be performed in such a program would be the appropriation of funds, setting standards of eligibility, setting standards of housing quality, finding and enrolling eligible participants, and inspecting the housing selected by enrollees.

Clusterings of reciprocal and sequential interdependence would be concentrated in three areas in such a program, and it is in these areas that a number of M-Form divisions may be organized. First, the processes involved in finding and enrolling eligible participants involve substantial interchange between landlords, participants, agency personnel, and other local actors. The creation of "neighborhood" sized centers to encompass these first level reciprocal and sequential interactions is illustrated by the "neighborhood divisions" at the bottom of Figure 2. A number of these neighborhood centers are gathered together into county or metropolitan (depending on the particular circumstance) divisions. These county or metropolitan divisions would monitor and evaluate, at the first instance, the

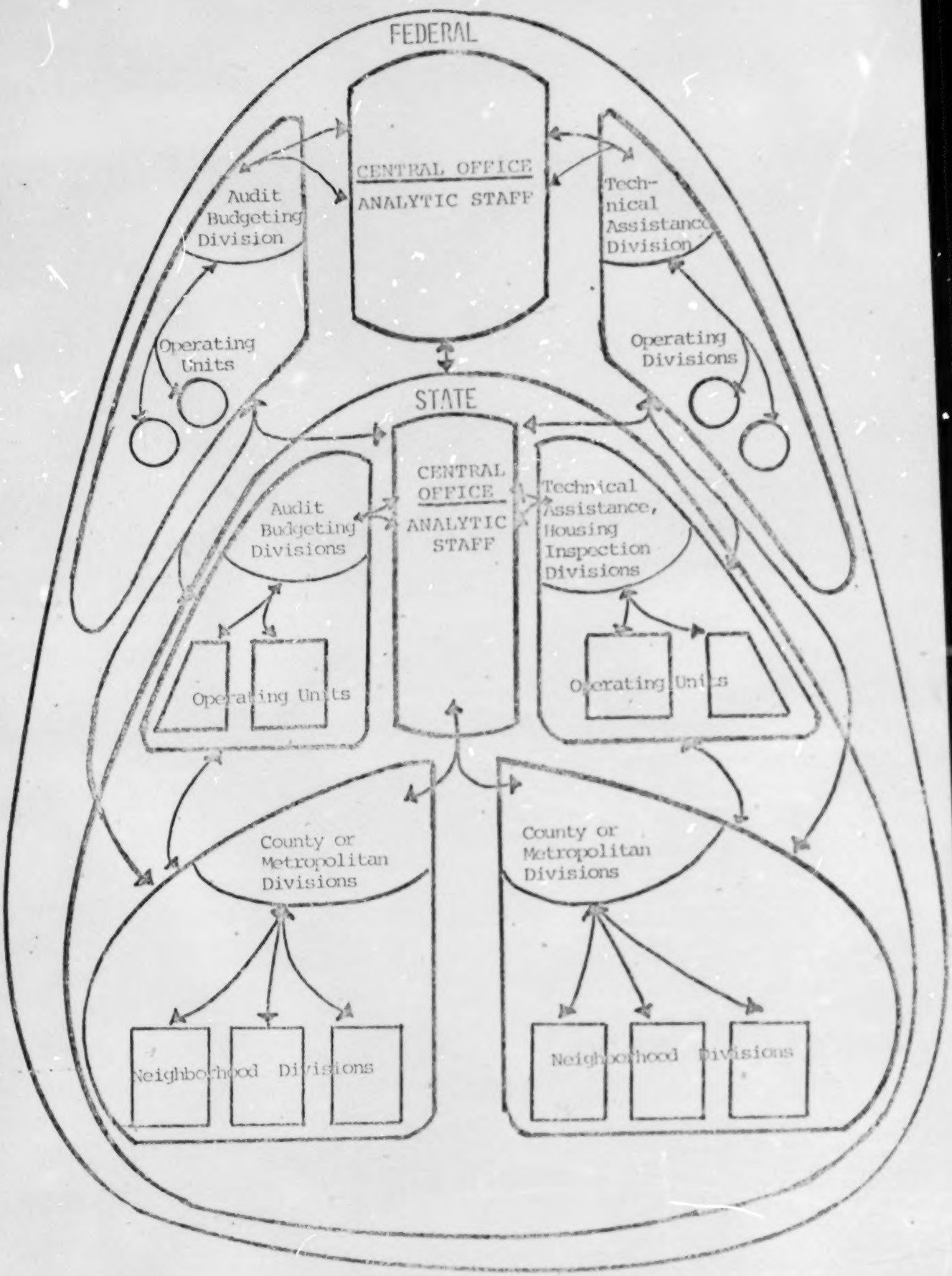
FEDERAL
CENTRAL OFFICE
ANALYTIC STAFF
Audit Budgeting Division
Tech-nical Assistance Division
Operating Units
Operating Divisions
STATE
CENTRAL OFFICE
ANALYTIC STAFF
Audit Budgeting Divisions
Technical Assistance, Housing Inspection Divisions
Operating Units
Operating Units
County or Metropolitan Divisions
County or Metropolitan Divisions
Neighborhood Divisions
Neighborhood Divisions

Figure 2

activities of the neighborhood divisions. Together, the neighborhood and the county or metropolitan divisions, would constitute the major units organized by geography or "place".

Other areas of rather intensive interactions would be along functional or "professional" lines. Divisions for budgeting, audit, technical assistance and housing inspection would be located near the central offices of the State and Federal levels. The operating units within each of these divisions would need to have the capability for intense and detailed interactions with neighborhood divisions, the county or metropolitan divisions and State departments. The management of these divisions would coordinate the activities of the operating units, and exchange information and instructions with the central offices.

The linkages between the State and Federal levels, on the one hand, and the metropolitan or county and neighborhood divisions on the other, would be characterized primarily by pooled interdependence. General programs objectives, rules and guidelines concerning eligibility, levels of payment, and standards of housing quality would be transmitted to the neighborhood and county or metropolitan divisions from the State and Federal levels.

One final point needs to be made before moving on to a general discussion of the evaluation of performance. Figure 2 may give the impression that a single, integrated hierarchy is desirable in an intergovernmental administrative system. However, the neighborhood, county or metropolitan and State divisions are not envisioned as single purpose units. They would only be one part of a number of such "divisions" for the whole gamut of activities which utilize an intergovernmental administrative and financial system. In this way, the neighborhood and county or metropolitan levels become integrators of programs as they are implemented. Sufficient flexibility would be retained by these "local divisions" so they could balance and adjust the objectives of a variety of programs to the needs of particular localities. An effective system of evaluation, a matter to which we now turn, is the key to holding local divisions responsible for the objectives of the national programs in which they are acting as administrative agents.

KEEPING TABS ON DIVISION PERFORMANCE

After divisions have been created, the next problem is to devise a system through which the central office can monitor the actions of the local divisions, while at the same time leaving sufficient discretion to divisions to adjust to local conditions. In an intergovernmental system, this means that local and State units should be free to tailor programs to the needs and preferences of local citizens, within guidelines and funding limitations as laid out by Federal legislation. In private M-Form organizations, this result has been accomplished through a highly selective system of summary statistics, primarily based on a division's profitability and growth. Using these statistics, an analytic staff within the corporate headquarters evaluates the performance of divisions according to a relatively few but essential activities. In any case, some system of summary statistics is essential in an M-Form organization. If such a system is not in operation, the creation of semi-autonomous divisions becomes essentially a process of abdication as far as Federal or national objectives are concerned.

Finding summary, evaluative statistics has been an extremely difficult task in public sector organizations. Research in welfare economics, culminating in cost/benefit analysis, and in political science has attempted to develop criteria for comparison of expenditure from one program to another.[26] This research has made substantial advances, but it has not developed evaluative criteria which have the generality of profits and growth as evaluators of the performance of divisions in private organizations.[27] Experience with evaluative statistics in public organizations seems to indicate that specific statistical systems of evaluation must be developed for each type of program. This problem has greatly limited the research and development of general evaluative systems (such as in cost accounting or managerial accounting) for use in public sector organizations.[28] There are, however, intergovernmental programs for which relatively good summary statistics can be developed on a program by program basis. Once again, the example of a simple housing allowance program provides a good illustration.

In a housing allowance program the number of participants successfully finding standard housing summarizes the success of much agency activity. Placing participants in an adequate and clean rental unit involves many discrete functions - e.g. outreach, certification of eligibility enrollment, housing and program information, housing inspections, legal services and others. The appropriate mix of these functions varies widely from site to site. To evaluate agency effectiveness in providing each of these services, and to determine whether the agency provided the appropriate mix for individual circumstances, would be an impossible task. By using the number of successful participants as the primary statistic of evaluation, the task of deciding whether each of these functions was done well is delegated to the local managers. The performance of the managers will be evaluated through the success of their participants.

If agencies were evaluated solely on placements of participants the natural tendency would be to "cream" the eligible population. Those easiest to place would be worked with, while difficult cases would be ignored. As a hedge against this behavior, the monitoring agencies would need to have independently collected information on the "profile" of the eligible population. This information would be collected by regular sample surveys, and would include information on the size of the eligible population; the racial, age, and income characteristics of eligibles; and the geographic distribution of eligibles by race, age and income.

Along with information on participants, two other crucial data should be gathered in the survey. Information on the availability and cost of housing, broken down into relatively small areas would greatly improve the operation and evaluation of the local and areawide agencies. It would be difficult to evaluate a local agency according to its success in placing participants if the evaluators did not have current information on the availability and cost of housing. Agency action, no matter how effective, cannot place people in housing if none is available, or if rent supplements are insufficient to purchase acceptable housing.

State and Federal agencies would not specify the methods of inspection or certification to be adopted in the neighborhood and the

county or metropolitan divisions. Local conditions in housing and the characteristics of participants will guide local managers as they choose specific techniques. The audit divisions at the State and Federal levels would conduct spot checks of (1) successful and unsuccessful participants to see if their eligibility was properly evaluated, and (2) the housing occupied by participants to be sure it meets quality requirements. If error rates were too high, local divisions would be requested to reduce them.

One final constraint would be needed. If managers are to be given broad discretion in the use of resources within the local divisions, they will need to operate within some sort of budget constraint. In a housing allowance program, the administrative budget for local divisions could be based on the number of participants, with the allotment varying positively with the size of the allowance payment.

To summarize, the aim has been to find a statistic or set of statistics which will permit an evaluation of the performance of local divisions by the central offices at the State and Federal levels. The availability of such statistics will allow the local divisions to exercise a great deal of discretion in handling day to day operations, but still permit oversight from the State or Federal levels. Such statistics will not be available in all programs which are administered through an intergovernmental system. There may be, however, more programs for which such statistics can be found than has previously been thought.

COMBINING POLITICS AND ADMINISTRATION

There needs to be a frank recognition of the role of politics and political institutions in intergovernmental systems, and in particular the effects of having two or more layers of elected officials embedded within a system for administering a particular program. Scholars in public administration accept as a matter of faith that politics and administration cannot be separated. They have argued that administrators and professionals employed by government are active participants in the setting of policies, and have shown this through a number of studies.[29] What does this mean for the direction of public organizations

however? Although unintended, Frederickson's arguments at the Minnowbrook conference for a New Public Administration illuminated a major ommission in our analyses of political processes in administrative systems. Beginning with assumptions that administrators are involved in the political processes of government and that the poor and minorities have no strong representatives of their own outside the agencies, he argued that it was the obligation of administrators to serve as advocates for the interests of the poor and powerless.[30] But how can administrators be expected to regularly represent minorities and the poor? Frederickson seems to rely on the ethical impulses of administrators to help them through the difficult struggles which often arise when resources are redistributed from the rich to the poor. Do not administrators and professionals in public agencies have their own interests to pursue? Interests concerned with professional standards, pay, tenure and retirement? How can we expect them, as political actors in the system, to pursue the interests of the poor (or any other group of citizen-consumers for that matter)? What pressures will be regularly brought to bear on them which will give them incentives to consider interests other than their own? Asking these questions highlights a facet of the "politics and administration" discussion which is underdeveloped. After recognizing that administrators are participants in the policy process, how can we reconcile the exercise of this power with theories of democracy and responsibility? This subject will be discussed in the first part of this section. The second part deals with some more conventional concerns in administrative politics, i.e., the designing of compliance systems which will be effective in an intergovernmental administrative system.

Tasks which are labeled political are usually the processes for setting the goals of an organization. These processes differ from organization to organization, ranging from the covert actions of a few individuals to the highly decentralized allocative processes which are attributed to electoral and market procedures. Private M-Form organizations are theoretically guided by the decentralized processes of the market, i.e., these firms must be profitable. But a firm can do many things which will be profitable, and it is considered socially legitimate for a relatively small group to decide what product the

firm will produce and how it will go about it. Goal setting is quite different in the public sector. One of the distinctive features is that goal setting processes must include inputs from a broad range of interests. The institutional capacity for allowing this broader participation is often built into the administrative structures themselves. In single-level public organizations, this has meant the provision of elected boards of governance and/or executives. In intergovernmental administrative systems, however, there are two or more levels of legitimate, publically elected leadership, with confusions developing over which level has a legitimate claim for decision making in the system.

One of the strengths of an M-Form organization is that it can help focus the attention of each level on problems which are appropriate to it. If divisions are organized using the criteria suggested by Thompson, the operating divisions would be located primarily within local governments. They would concentrate their efforts on adjusting specific claims from specific citizen-consumers. Public administrators who are directly charged with the delivery of goods and services may be more responsive to citizen-consumers if they are directly accountable to them. State and Federal levels would function primarily in the role of the "central office". These larger jurisdictions represent broader collective interests, and their political decision processes are better suited to such tasks as setting standards or redistributing resources among jurisdictions and/or social groupings. The local divisions, on the other hand, are better suited to make adjustments which take into account local needs and the preferences of individual citizen-consumers.

Rationalizing political responsibility at the level of general governments, however, will not be sufficient to allow citizens to express specific preferences for specific goods and services. At this general level, the voter is always faced with the problem of the "blue plate special", i.e. choosing among alternatives which are packaged in large (and often inconsistent) bundles.

Some economists have argued that a way to handle the problem of the blue plate special is through the principle of "fiscal equivalence," i.e., the creation of a series of special districts whose boundaries are coterminious with the costs and benefits of a particular good;[31] the proliferation of smaller general jurisdictions which would provide smaller

general jurisdictions which would provide smaller and more discreet bundles of public goods;[32] the use of vouchers,[33] or an extension of systems of public pricing.[34] Considering these suggestions adds an important "political" element to our discussion, if our definition of political as being concerned with questions of goal setting is accepted. Of particular interest in these suggestions from economists is their emphasis on the articulation of demand. Public administration has focused more sharply on institutions of supply, and has worked to make public institutions technically more effective.[35] For economists, demand considerations seem elementary. But in the design of producing units in the public sector, the articulation of demand has been a relatively neglected consideration. The reason for this neglect may lie in the failure of economists and public administration theorists to distinguish clearly between the manner in which demands are articulated in the public and private sectors. Organizations in the private sector usually do not take the function of demand articulation explicitly into account when the organization structures are designed. Presumably, through the market, consumer preferences will regularly and automatically be made known to the organization. The primary concern of the firm is a design which will minimize costs, so that the firm will be competitive when it offers its products on the market.[36] In the public sector, the market is inoperative to one degree or another. Citizens do not typically pay government agencies for each public good or service. There is often a complete separation of "buyer and seller". Demand articulation must, in this circumstance, be explicitly included in the design of the organizational system. It has been implicitly assumed that demands would be expressed through the electoral processes. However, as was argued above, conventional electoral processes are in fact having a decreasing influence on the performance of units within an intergovernmental system. More attention needs to be directed toward processes through which the demands of citizen-clients can be articulated within intergovernmental networks.

Using an M-Form of organization, demand can be articulated by combining a number of suggestions from economists and political scientists. At the level of the local Responsibility Centers or divisions techniques could be selected from among those which have the capability to handle high levels of reciprocal interdependence. Many market-type techniques have these capabilities. One or another can be considered, depending on

the technical characteristics of each program. These techniques could then be placed in the context of broader collective interests.[37] These interests would typically be operationalized in the form of guidelines and laws within which the more interactive articulation techniques would function. Such guidelines and laws could be formulated by more conventional political devices for articulating demands, i.e., the election of State and national legislators and executives.

A few examples may help clarify how multi-levels of demand articulation may be brought together in an M-Form organization. Vouchers have been suggested in education,[38] low income housing[39] and welfare.[40] These proposals were in large part put forward because of a perception that these services were not being administered in a manner which was responsive to the individual needs and preferences. With a voucher (or a housing allowance or a minimum income tax payment), participants in a program are able to choose the quantity and quality of services they prefer, thus better satisfying their individual interests. The broader public interests are satisfied through laws and guidelines which establish earmarks on how the voucher can be used, the amount of money to be transferred, and the people who will be eligible. These laws and guidelines would be formulated by governmental units with broader jurisdictions. The rather substantial administrative tasks associated with the distribution of the vouchers would be handled by local divisions, as outlined above for housing allowances.[41]

Expanded systems of prices for publically-produced goods operate in a similar way. Citizen-clients interacting with the operating divisions of an M-Form agency can determine through personal choice the quantity of a public good they want to consume. Larger public interests can be handled in the form of operating subsidies, setting prices to be charged, and determinations of the mix of goods or services to be offered by the local divisions. Such decisions would be made by State or Federal jurisdictions.

The notion of "fiscal equivalence" may be used in delineating the boundaries of Responsibility Centers, but there are severe problems in identifying the populations and/or geographic areas in which the costs and benefits of a particular program fall. Also, the costs of a program may not impact upon the same populations as do the benefits, and

boundaries of these jurisdictions would be changing as patterns of costs and benefits change. Finally, a great deal of confusion may result when a number of these overlapping, special districts are interrelated. In a setting where consumers do not as a rule interact directly with producers, this type of organization may evolve into a series of semi-autonomous, professionally-dominated groups. A more workable policy than fiscal equivalence may instead be the use of vouchers and public prices for many merit goods and services, i.e., publicly provided goods which mix the characteristics of both public and private goods. For local public goods, a combination of smaller general jurisdictions (neighborhood governments) and citizen-review boards may be appropriate. For instance, for such services as general municipal governance, the local aspects of police and fire protection, or local recreation policy, small general purpose jurisdictions would be appropriate for the articulation of local interests. Broader interests would be expressed through county, State or Federal laws that provide for such matters as general planning, financial responsibility, or environmental protection. For goods or services such as the regulation of utilities in which the interests of each citizen-consumer may be small but collectively the interests of citizens are very large,[42] citizen review boards may be effective mechanisms for the articulation of demands as citizens interact with the relatively more organized producers of the good or service. These boards could be organized along the lines of specific functions, and could interact with both the local divisional levels and the monitoring divisions at the State and Federal levels.

A final matter remains for discussion in this section. An important element in the operation of M-Form organizations in the private sector is that central offices are assumed to have power to discipline or remove the management of a division in the face of continued poor performance. This power for discipline generally does not exist within intergovernmental systems. More than one level of government is involved, and each has its own independently elected political officers. Even within a single level of government, administrators are often protected by civil service and tenure rules. Getting local divisions to comply with Federal or State priorities is often difficult in this setting. There are a number of compliance techniques now in use, however, and the M-Form may encourage the development of others.

The first improvement arising from the M-Form is related to its expansion of a more focused system of evaluative information. As suggested above, the creation of such a system is an essential element of the M-Form. This information is used by the analytic staff of the central office as the basis for "technical assistance" to the divisions. This technical assistance would be offered to local divisions having difficulties, and as a normal course of action, it might be expected that the advice would be followed.

A second, and more powerful, incentive could be offered to encourage local divisions to make adjustments in their performance. General revenue grants could be given to the State and general purpose local jurisdiction which were politically responsible for the operation of a programmatic division. These grants could be of two varieties. One type would be one time grants which would be given to encourage basic reforms and restructuring of administrative practices within State and local governments. The second type would be yearly grants based on satisfactory achievement of the objectives of the Federal and State governments. In the housing allowance example, for instance, this would mean the enrollment of a reasonable proportion of a broad spectrum to the eligible population. Such grants would encourage political executives to put pressure on errand division managers, and encourage States to build the capability for governance at the local levels.

A third incentive open to the monitoring agencies lies in their ability to "go public" with a bad report. The data on which such reports would be based would be area specific, and might be the justification for the loss of the general revenue grants discussed above. Public pressure would be placed on a poorly performing division to improve.

A final technique for gaining compliance would be the withholding of funds from a division or even a whole State. This is a very blunt instrument and often hurts program participants more than the recalcitrant administrators or politicians. The mere threat of losing funds, however, may be a useful tool in large, established probrams. A credible threat of losing the funding for such a program would be an incentive for compliance.

CONCLUDING STATEMENTS

Governments face new and broad challenges as our society becomes more and more interdependent. Unless more effective institutions are developed for articulating demands for public services and for coordinating the production of these services, the quality of life in industrialized countries will decline significantly. With the world-wide diffusion of life styles associated with developed societies, and with advances in the sophistication of technologies of transportation, communication, and manufacture, the need to develop coordinative mechanisms is ever more urgent.

This paper attempts to make two broad points. First, it was argued that organizations within an intergovernmental network, through the processes of resource mobilization, are often able to put their own priorities ahead of those of the larger intergovernmental system. This type of behavior for each agency is consistant with the behavior often assumed of private firms. Private firms are at least in theory, subject to consumer sovereignty. Intergovernmental agencies are subject neither to the discipline of markets or political institutions. Jurisdictions, funding, and production processes are so confused and complicated that even experts can not say for certain which agency is responsible for which action. Further, unlike many private organizations, public agencies do not possess the capacity to make fine-grained adjustments to the needs and preferences of individual citizens.

Second, this paper suggests adapting the Responsibility Center concept to intergovernmental administration. It is argued that this scheme would greatly increase the capacity of government to cope with complex administrative problems. More active and competent local units would be one of the first results of using the Responsibility Center concept.or M-Form. Federal and State governments would substantially expand their evaluative capabilities. The M-Form encourages these results by differentiating the aspects of tasks which should be performed at the various levels within an intergovernmental network. The local levels, in general, are assigned the tasks (1) of articulating demands of the local population and (2) for performing those aspects of functions which require mutual adjustment, or which are produced within a heterogenious and shifting environment. The higher levels will (1) articulate demands for national public goods and services

(including stabilization and redistribution policy), and (2) coordinate the aspects of production processes which require planning and standard setting. With such a division of labor among the levels, it is hoped there would be a systematic decrease in the divergence between what organizations within an intergovernmental network produce and what citizen-clients in that network need and prefer.

The approach taken here has several advantages. It lays out an organizational strategy which has the capacity to handle simultaneously the satisfaction of national and local interests. It deals with both the supply and demand aspects of allocating resources. It suggests a method for differentiating aspects of tasks among levels within an intergovernmental network. Weaknesses lie in the difficulty of making changes in governmental institutions, and the difficulty of designing evaluative systems in the public sector. Both the existing networks of intergovernmental relations and the networks possible with the Responsibility Center concept are open to political manipulation, although the character of that manipulation would certainly be different.

There are certainly risks and uncertainties with any administrative system. The underlying assumptions and claims of such a sweeping set of recommendations as are embodied in this paper are beyond the scope of empirical testing or verification. However, given the needs for increasing the effectiveness of intergovernmental administrative institutions, perhaps careful efforts should be made to explore and implement aspects of the Responsibility Center concepts in government administration.

NOTES

[1] The phrase Post-Industrial Society is often used as shorthand to refer to a wide array of social and economic changes associated with such trends as a continuously advancing technolgies, increased education and specialization, and relative increases in affluence. Daniel Bell in The Post-Industrial Society (New York: Basic Books, 1973) describes many of these developments in detail.

[2] David O. Porter and David C. Warner, "How Effective are Grantor Controls?" in Kenneth E. Boulding, Martin Pfaff and Anita Pfaff (eds.) Transfers in an Urbanized Economy (Wadsworth Publ. Co., 1973), pp. 276-302; David O. Porter, The Politics of Budgeting Federal Aid: Resource Mobilization by Local Schools (Beverly Hills and London: Sage Professional Papers in Administrative and Policy Studies, 03-003, 1973). Also see Harold Seidman, Politics, Position and Power (New York: Oxford University Press, 1975) and Deil S. Wright, "Intergovernmental Relations: An Analytical Overview," The Annals, Vol. 416 (November 1974), pp. 1-16.

[3] Richard R. Nelson, "Intellectualizing about the Moon-Ghetto Metaphor: A Study of the Current Malaise of Rational Analysis of Social Problems," Policy Studies, Vol. 5 (1974), pp. 375-414.

[4] David O. Porter, Who Slices the Pie? (Detroit, Michigan: Center for Urban Studies, Wayne State University, 1970).

[5] Galbraith has persuasively argued that the assumption of competition and consumer sovereignty are unrealistic in U.S. markets as they are dominated by oligopoly and monopoly. See Economics and the Public Purpose (Boston: Houghton-Mifflin, 1973).

[6] Frank H. Knight, The Economic Organization (New York: Harper and Row, 1965.) First published in 1933.

[7] Gordon Tullock, Private Wants, Public Means (New York: Basic Books, 1970).

[8] Robert L. Bish, The Public Economy of Metropolitan Areas (Chicago: Markham Publ., 1971); Mansur Olson, "The Principle of 'Fiscal Equivalence': The Division of Responsibilities Among Different Levels of Government," American Economic Review, Vol. 59 (May, 1969), pp. 479-87; Vincent Ostrom, The Intellectual Crisis in American Public Administration (University, Alabama: University of Alabama Press, 1973).

[9] See James L. Sundquist, Making Federalism Work? (Washington: the Brookings Institution, 1969) and Wright, op.cit., as exceptions to this generalization.

[10] Bell, op. cit., pp. 121-64.

[11] Dwight Waldo in "Organization Theory: An Elephantine Problem," Public

Administration Review, Vol. XXI (1961), and Harold Seidman, op.cit., both cite the continued influence of the Gulick principles.

12 Alfred D. Chandler, Jr., Strategy and Structure (New York: Doubleday, Anchor Books Edition, 1966).

13 Luther Gulick, "Notes on the Theory of Organization," in Luther Gulick and L. Urwick (eds.), Papers on the Science of Administration (New York: Institute of Public Administration, Columbia University, 1937), pp. 3-45.

14 The letters in POSDCORB stand for planning, organizing, staffing, directing co-ordinating, reporting, and budgeting, Gulick, op.cit., p. 13.

15 Paul H. Appleby, Policy and Administration (University, Alabama: University of Alabama Press, 1949.

16 Herbert A. Simon, Donald W. Smithberg, and Victor A. Thompson, Public Administration (New York: Alfred A Knopf, 1950).

17 Robert N. Anthony and Regina E. Herzlinger, Management Control in Nonprofit Organizations (Homewood, Ill: Richard D. Irwin, 1975), pp. 17-18.

18 Oliver E. Williamson, Corporate Control and Business Behavior (Englewood Cliffs, N.J.: Prentice Hall, 1970). Much of the discussion in the next section is based on Williamson's very interesting and stimulating book.

19 Seidman, op.cit., pp. 166-68. Also see Martha Derthick, The Influence of Federal Grants: Public Assistance in Massachusetts (Cambridge, Mass.: Harvard University Press, 1970) for an excellent account of the effect of Federal laws and regulations on the State welfare bureaucracy in Massachusetts.

20 See David O. Porter, "Federalism, Revenue Sharing and Local Government, in Charles O. Jones and Robert D. Thomas (eds.), Public Policy-Making in a Federal System. (Beverly Hills and London: Sage Publications, 1976) pp. 81-101. Wallace E. Oates, in Fiscal Federalism (New York: Harcourt, Brace and Javanovich, 1972) argued that conditional grants, when they are non-matching, will have the same effect as an unconditional grant.

> Conditional, lump-sum grants may, however, be used to induce recipient governments to adopt certain desired practices. The grantor might, for example, make the availability of funds dependent on the introduction of certain budgeting and planning procedures. In this way the grant may serve to encourage public officials to adopt more effective techniques of fiscal management. Oates, p. 77.

[21] Chandler, op.cit., James D. Thompson, Organizations in Action (New York: McGraw-Hill Books, 1967); Williamson, op.cit.

[22] For a brief summary of this literature see Porter, The Politics of Federal Aid, pp. 17-20.

[23] Williamson, op.cit., p. 115

[24] Samuel H. Beer, "The Adoption of General Revenue Sharing: A Case Study in Public Sector Politics" A paper presented at the annual meetings of the American Political Science Association, San Francisco California, September, 1975; James W. Fesler, Area and Administration (University, Alabama: University of Alabama Press, 1949); David O. Porter and Eugene A. Olsen, "Some Critical Issues in Government Centralization and Decentralization," Public Administration Review Vol. 36 (January/February, 1976) pp. 72-84;Seidman, op. cit., Wright, op.cit.

[25] In a very suggestive paper, Fritz W. Scharpf ("Does Organization Matter? Task Structure and Interaction in the Ministerial Bureaucracy," presented at the Joint Sessions of Workshops of the European Consortium of Political Research, April, 1976) analyses the subunits within the German Ministry of Transportation, using a conceptual scheme derived in part from Thompson op.cit.

[26] A.C. Harberger, "Three Basic Postulates for Applied Welfare Economics: An Interpretive Essay," Journal of Economic Literature, Vol. IX (September, 1971), pp. 785-97; V.O. Key, Jr., "The Lack of a Budgetary Theory," American Political Science Review, Vol. XXXIV (December 1940) pp. 1137-44.

[27] Anthony and Herzlinger, op.cit., pp. 34-42.

[28] Anthony and Herzlinger, op.cit.,is a pioneering effort to develop a general framework of managerial accounts for use in non-profit organization.

[29] For an excellent recent study showing the politics in administration and organization see Seidman, op.cit.,

[30] H. George Frederickson, "Toward a New Public Administration," in Frank Marini (ed.), Toward a New Public Administration (Scanton, Pa.: Chandler Publ., 1971), pp. 309-31.

[31] Olson, op.cit.

[32] Bish, op.cit., Tullock, op.cit.

[33] Milton Friedman, "The Role of Government in Education," in R.A. Solow (ed.), Economics and the Public Interest (New Brunswick, N.J.: Rutgers University Press, 1955), pp. 123-44. The same essay is included in Milton Friedman, Capitalism and Freedom (Chicago: University of

Chicago Press, 1962).

[34] Selma Mushkin, Public Prices for Public Products (Washington: The Urban Institute, 1972).

[35] It is important to note that economists distinguish between "economic" and "technical" efficiency. Unit A is technically "more efficient than Unit B either 1) if it uses the same resources as Unit B and has a greater output or 2) if it uses the same resources as Unit B and has a greater output than Unit B." Anthony and Herzlinger, op.cit., p. 19) Economic efficiency combines the notion of technical efficiency with the idea of giving consumers what they want. To be economically efficient, a unit must not only operate at the lowest cost, but also provide the goods and services consumers want most. For this reason, economists distain conusmers who would otherwise consume the output. Likewise, economists criticize a technically efficient government agency which produces goods or services citizen-clients do not want.

[36] Increased concentration of many industries into a few giant firms is making this presumption unwarrented. Policy in the U.S. may need to begin considerations of demand articulation in the design and regulation of large private firms.

[37] See David O. Porter, "Responsiveness to Citizen-Consumers in a Federal System," Publius: The Journal of Federalism, Vol. 5 (Fall, 1975), pp. 51-77, for an expanded discussion of these ideas.

[38] Friedman, op.cit., Christopher Jencks, Education Vouchers (Cambridge, Mass.: Center for the Study of Policy, 1970).

[39] Experimental Housing Allowance Program, "Housing Allowances: The 1976 Report to Congress" (Washington: U.S. Department of Housing and Urban Development, Office of Policy,Development and Research, February 1976).

[40] Daniel P. Moynihan, Politics of a Guaranteed Income: The Nixon Administration and the Family Assistance Plan (New York: Vintage, 1973).

[41] See Porter, "Federalism, Revenue Sharing and Local Government", op.cit. pp. 92-94.

[42] Victor P. Goldberg, "Institutional Change and the Quasi-Invisible Hand," The Journal of Law and Economics, Vol. XVII (1974), pp. 461-92.

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Like all Institutes of the Wissenschaftszentrum Berlin, IIM is engaged in social science research oriented towards problems which are common to highly industrialized countries. IIM focusses on public and private sector management by analyzing the specific conditions and restrictions for industrial policy on either side.

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- the dynamics and performance of manufacturing and service sectors ("Industrial Organization")
- the organizational structure and decision processes within individual firms and organizations ("Organization and Management"), and of
- the politico-administrative systems through which policies are formulated and implemented ("Government and Public Administration").

This paper has been produced in IIM's Government and Public Administration research area. It contributes to the research within this group by suggesting a possible scheme for administering within the setting of multi-organizational relations.

Das Internationale Institut für Management und Verwaltung

Wie alle Institute des Wissenschaftszentrums Berlin betreibt das IIMV problemorientierte sozialwissenschaftliche Forschung in Themenbereichen, deren Bedeutung über die Grenzen eines einzelnen Landes hinausreicht. Insbesondere befaßt sich das IIM mit der Interaktion von Staat und Wirtschaft im Bereich der Industriepolitik, indem es gleichzeitig die Bedingungen und Handlungsmöglichkeiten auf der privatwirtschaftlichen wie auf der politisch-administrativen Seite analysiert.

Den zentralen Forschungsbereich "Industriepolitik", der schwerpunktmäßig Arbeitsmarktpolitik, Regionalpolitik und Sektoralpolitik untersucht, ergänzen drei andere Arbeitsbereiche. Sie erarbeiten die notwendigen Erkenntnisse:

- zu Entwicklungen und Problemen in Industrie- und Dienstleistungssektoren ("Industriestruktur")
- zu den internen Strukturen und Entscheidungsprozessen in einzelnen Unternehmen und Organisationen ("Organisation und Management") und
- zu den strukturellen Bedingungen, unter denen Politik entwickelt und durchgeführt wird ("Politik und Verwaltung").

Die vorliegende Arbeit ist im Rahmen des Forschungsbereichs Politik und Verwaltung entstanden. Sie liefert einen Beitrag für Verwaltungsmöglichkeiten im Rahmen interorganisatorischer Beziehungen.